

**REPORT OF THE AUDIT OF THE  
DAVIESS COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE DAVIESS COUNTY SHERIFF**

**For The Year Ended  
December 31, 2005**

The Auditor of Public Accounts has completed the Daviess County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Daviess County Sheriff had total revenues of \$4,015,468, which was a \$652,891 decrease from the prior year. Except for operating expenses of the fee account of \$215,751, reimbursed expenses in the amount of \$46,046, certain revenues received for operating expenses of \$1,212,773, fiscal court contributions of \$1,406,017, and revenues not paid to the State Treasurer of \$4,103, the sheriff paid 25% of revenues to the Daviess County Fiscal Court in the amount of \$282,694. This was an increase of \$14,124 from the prior year. In addition, expenditures decreased by \$326,125. The Daviess County Sheriff had a deficit balance of \$360,919 in the Sheriff's Operating Fund (75%) with the State Treasurer as of December 31, 2005. This deficit is required to be paid in full at the end of the Sheriff's term.

#### **Report Comments:**

- The Sheriff's Office Should Require Time Records For All Employees
- The Sheriff's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week
- The Sheriff's Office Should Submit All Fees And Compensation For Official Duties To State
- The Sheriff's Office Should Implement System Relating To Court Ordered Forfeitures

#### **Deposits:**

The Sheriff's deposits as of December 13, 2005 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$78,381

#### **Subsequent Event:**

The Daviess County Sheriff had a deficit balance of \$783,287 in the Sheriff's Operating Fund (75%) with the State Treasurer as of December 31, 2006. The Sheriff collected \$156,512 of reimbursements due from other entities and Fiscal Court paid the Sheriff's office \$626,775 to eliminate this deficit. This deficit was paid in full at the end of the Sheriff's four-year term of office.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive  
The Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Daviess County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2005. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Louis Reid Haire, Daviess County Judge/Executive  
The Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff's Office Should Require Time Records For All Employees
- The Sheriff's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week
- The Sheriff's Office Should Submit All Fees And Compensation For Official Duties To State
- The Sheriff's Office Should Implement System Relating To Court Ordered Forfeitures

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Daviess County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

February 23, 2007



DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	413,090
State Grants			131,353
State Fees for Services			471,434
Fiscal Court			1,409,017
County Clerk			16,507
Commission on Taxes			1,008,179
Fees Collected for Services:			
Auto Inspections	\$	40,225	
Accident and Police Reports		7,452	
Serving Papers		118,073	
Executions		365	
Carrying Concealed Deadly Weapon Permits		24,520	
Sheriff's Add-On Fees		104,514	
Advertising Fees		10,380	
Advertising Costs		12,080	
Miscellaneous		1,762	
Airport Security Contract		66,958	
Board of Education - School Resource Officer		64,600	450,929
Other Revenues:			
Insurance Reimbursement		10,248	
Workers Compensation Reimbursement		22,324	
Interest Earned		82,387	114,959
Total Revenues			4,015,468

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
 KEITH CAIN, SHERIFF  
 STATEMENT OF REVENUES AND EXPENDITURES - REGUALTORY BASIS  
 For The Year Ended December 31, 2005  
 (Continued)

Expenditures

Payments to Subrecipients:

Bullitt County Fiscal Court (Meth Grant II)	\$ 17,091
City of Elizabethtown (Meth Grant II)	8,080
Warren County Fiscal Court (Meth Grant II)	91,267
Barren County Fiscal Court (Meth Grant III)	29,474
Breckinridge County Fiscal Court (Meth Grant III)	9,469

Payments to State:

Carrying Concealed Deadly Weapon Permits	16,130
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Payments Made To County:

Civil Process Fees	21,390
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Other Expenditures:

Prisoner Transport Services	21,682
Jury Lunches	788
Refund	15
Executions	365

Total Expenditures	\$ 215,751
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Net Revenues	3,799,717
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Payments to State Treasurer:

75% Operating Fund	3,512,920	
25% County Fund	282,694	3,795,614

Balance Due State Treasurer at Completion of Audit	\$ 4,103
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The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2005

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2005	\$ (61,347)	\$	\$ (61,347)
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	3,512,920		3,512,920
Fees Paid to State - County Funds (25%)		282,694	282,694
Total Funds Available	3,451,573	282,694	3,734,267
<u>Expenditures</u>			
Personnel Services-			
Sheriff's Statutory Maximum	91,024		91,024
Sheriff's Training Incentive Benefit	3,194		3,194
Deputies' Salaries	1,898,831		1,898,831
Overtime Gross	150,684		150,684
Employee Benefits-			
Employer's Share Social Security	153,221		153,221
Employer's Share Retirement	398,186		398,186
Employer's Paid Health Insurance	416,331		416,331
Employer's Paid Life Insurance	2,290		2,290
Unemployment Insurance	5,980		5,980
Workers Compensation	48,189		48,189
Contracted Services-			
Advertising	18,766		18,766
Materials and Supplies-			
Law Enforcement Supplies	6,979		6,979
Office Supplies	9,461		9,461
Uniforms	40,718		40,718
K-9 Supplies	5,019		5,019
Emergency Operations Center	61,073		61,073

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
 KEITH CAIN, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2005  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-			
Training	\$ 18,040	\$	\$ 18,040
Travel	6,805		6,805
Telephone	4,242		4,242
Cellular Service	8,464		8,464
Miscellaneous	30,784		30,784
Auto Expenses-			
Gasoline	116,270		116,270
Maintenance and Repairs	64,298		64,298
Radio/Siren Maintenance	15,159		15,159
Capital Outlay-			
Office Equipment	11,711		11,711
Equipment	53,106		53,106
Vehicles	150,717		150,717
Computers	1,965		1,965
Emergency Operations Center	20,985		20,985
Payments To Fiscal Court		282,694	282,694
Total Expenditures	3,812,492	282,694	4,095,186
Fund Balance - December 31, 2005	\$ (360,919)	\$ 0	\$ (360,919)

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

DAVISS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deferred Compensation

All eligible employees of the Daviess County Sheriff's Office may participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

DAVIESS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2005  
 (Continued)

Note 4. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 13, 2005, \$78,381 of public funds were exposed to custodial credit risk as follows:

- Uninsured and Unsecured      \$78,381

Note 5. Special Investigation Account

The Daviess County Sheriff maintains a Special Investigation Account for monies received from court ordered forfeitures in connection with drug related arrests. The balance of the account as of January 1, 2005 was \$3,969. During 2005 revenues of the special investigation account were \$18,706 and expenditures were \$22,074 resulting in a balance of \$601 as of December 31, 2005.

Note 6. Reimbursed Expenditures

The amount deposited to the Sheriff's Operating Fund (75%) with the Kentucky State Treasurer included reimbursed expenditures. The reimbursed expenditures include amounts from the State, Fiscal Court, and federal grants. The following were reimbursed expenditures, which were credited 100% to the Sheriff's Operating Fund.

Category	Amount
Fiscal Court Assistance	\$ 1,406,017
Federal Grants	257,888
Kentucky Law Enforcement Grant	131,353
Payroll Reimbursements	153,882
Expenditures Reimbursements	24,972
100% Fees	<u>690,724</u>
Total 100% Fees	<u>\$ 2,664,836</u>

DAVISS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005  
(Continued)

Note 7. Deficit Fund Balance

The Daviess County Sheriff had a deficit balance of \$360,919 in the Sheriff's Operating Fund (75%) with the State Treasurer as of December 31, 2005. This deficit is required to be paid in full at the end of the Sheriff's term.

Note 8. Self-Insurance Fund

Daviess County Sheriff's Office (Sheriff) elected to begin a partially self-funded health insurance plan for calendar year 2004. This partially self-funded insurance plan covers all employees of the Daviess County Sheriff's Office, and the Sheriff pays for any level of coverage for each employee of the Sheriff's office. The Daviess County Sheriff contracted with Underwriters Safety & Claims, Inc. to administer the employee benefit plan for the year ended December 31, 2005.

This partially self-funded insurance plan has two distinct components that the Daviess County Sheriff's Office (Sheriff) must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the Sheriff's claims exposure on an individual and aggregate basis. Incurred fixed costs for the year ended December 31, 2005 were \$147,407. The second component is the claims cost, all of which the Daviess County Sheriff is responsible to pay as they incur. Once an individual exceeds \$15,000 in claims or the Sheriff's aggregate claims exceed the predetermined maximum, then the Sheriff will receive reimbursements from the reinsurance carrier. Incurred claims for the year ended December 31, 2005 were \$361,607. Daviess County Sheriff's contract with Presidential Life Insurance Company has no terminal liability provision. The Sheriff is responsible to pay all run-out claims after termination. The Health Insurance Fund had a deficit balance of \$24,041 as of December 31, 2005.

Note 9. Subsequent Event

The Daviess County Sheriff had a deficit balance of \$783,287 in the Sheriff's Operating Fund (75%) with the State Treasurer as of December 31, 2006. The Sheriff collected \$156,512 of reimbursements due from other entities and Fiscal Court paid the Sheriff's office \$626,775 to eliminate this deficit. This deficit was paid in full at the end of the Sheriff's four-year term of office.



## COMMENTS AND RECOMMENDATIONS



DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

FEDERAL/STATE LAWS AND REGULATIONS:

The Sheriff's Office Should Require Time Records For All Employees

KRS 337.320 states, "[e]very employer shall keep a record of: (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; and (c) such information as the secretary requires." In addition, the Fair Labor Standards Act's recordkeeping regulations, 29 CFR Part 516, require an employer to maintain a list of basic records. Included in this list of basic records is: time and day of week when employee's workweek begins; hours worked each day; and total hours worked each workweek. The Sheriff's office did not comply with this statute or these regulations. During the test of payroll, we observed all non-elected employees were not maintaining a record showing the hours worked each day and the total hours worked each week. In addition, no record is maintained of the time and day of week when each employee's workweek begins. We recommend the Sheriff's office comply with this statute and these regulations by implementing timekeeping policies.

*Sheriff's Response:*

*The Department believes that it is in compliance with the regulations governing "Employees on Fixed Schedules". The Department has a long established workweek of Sunday through Saturday. The Department has a policy manual consisting of forty-three chapters, and was not aware that the workweek needed to be stated in our policy manual. Each month a written schedule is prepared for the patrol deputies and the telecommunicators indicating the days of the week and the hours they are assigned to work during the month. Any deviations to the assigned schedule, such as overtime, sick time, vacations, etc. are documented, on the appropriate form, to the employees supervisor. Individual time sheets are maintained for part-time employees. In addition the Department maintains radio logs of when deputies come on duty and when their shift ends. As the result of a DOCJT audit of hours worked by our patrol officers, the Department's personnel officer, mistakenly understood that certain payroll records were not needed. These records were subsequently destroyed after the DOCJT audit, for that one year.*

*Auditor's Reply:*

At the time of the audit the Sheriff's office could not provide payroll records for all employees as requested by the auditor. The hours worked per radio logs for the deputies could not be traced to the hours the deputies were paid per the payroll register.

The Sheriff's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week

KRS 337.285 requires employers to compensate employees for any hours worked "in excess of forty (40) hours in a workweek at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed." During the test of payroll, we observed one non-elected employee was not paid one and one-half times their hourly wage rate for hours worked in excess of forty hours during a workweek. We recommend the Sheriff's office comply with this statute by properly paying overtime for hours worked over forty hours during a week.

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2005  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

The Sheriff's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week  
(Continued)

*Sheriff's Response:*

*Employees are normally paid at the overtime rate of one and one-half for hours worked over forty hours per week. The Department did have one part-time employee who on some weeks would work more than forty hours some weeks and less than forty hours on other weeks. At all times the employee was within the total number of hours allotted in our budget.*

*Auditor's Reply:*

The part-time employee who worked more than forty hours some weeks should have been paid one and one-half times his hourly wage rate for hours worked over forty hours per week.

The Sheriff's Office Should Submit All Fees And Compensation For Official Duties To State

KRS 64.345(3) requires sheriffs in counties having a population of 70,000 or more to report and submit to the Finance and Administration Cabinet, Commonwealth of Kentucky, "the amount of money received and collected by or for him the preceding month as fees or compensation for official duties" by the tenth of the month. The Daviess County Sheriff's office did not submit money received for return of fugitive fees and interest earned on the extradition account to the state in a timely manner. As of December 31, 2005, \$4,103 was due to the state for money received as fees or compensation for official duties from January 1, 2003 through December 31, 2005. In addition, monies received from a federal grant were not transferred to the sheriff's operating fund with the state for almost two years after the federal expenditures were made from the sheriff's operating fund with the state. We recommend the Sheriff's office report and submit all money received and collected as fees or compensation for official duties to the state in a timely manner.

*Sheriff's Response:*

*The Department is in compliance with the State directive for the funding of Extradition Accounts. These accounts are set up to insure the prompt return of felons who have been arrested in another state. In most cases, felons must be returned within ten days or they can be released by the out-of-state jurisdiction where they are being held. At the same time it takes several weeks for the paper work to be processed so that the Department can be reimbursed by the State.*

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2005  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

The Sheriff's Office Should Submit All Fees And Compensation For Official Duties To State  
(Continued)

*Sheriff's Response: (Continued)*

*When a felon is arrested in another State, the Sheriff's Department must send a formal notification to the Commonwealth Attorney's office requesting an "Application of Officer to Return Fugitive to This State" and an "Order Appointing Officer to Return Fugitive to This State". These requests are returned to the Sheriff's Department and then sent to the County Judge-Executive's office for the Judge's signature. The forms are then returned to the Sheriff's Department where a "Claim For Return of Fugitives" is prepared and submitted to the State for payment. The Department of Local Government processes the request and a check is issued by the Kentucky State Treasurer, returned to Local Government and forwarded to the Sheriff's Department.*

*As a result of this lengthy process, the State established the use of the Extradition Account, so that funds can be available to pay for these extraditions. Due to the shortage of available deputies, most extraditions are performed by firms specializing in the transportation of fugitives. They expect to be paid in a timely manner, not having to wait as much as two months to be paid.*

*In the year being audited we were reimbursed by the State for returning 37 felons from other states. There were two months during the year that our bank balance was less than \$1,000. One month the balance was \$212. While most extraditions cost about \$400 - \$600, we had one extradition costing \$7,900.*

*We disagree with the State Auditor's interpretation that the account must be liquidated each year. That defeats the purpose of having the account. We believe that the funds maintained in the account are justified due to the extradition activity. The funds are maintained in a fully insured account and are transferred to the Sheriff's Fee Account at the end of each term as required by the statutes.*

*Currently, we have a felon who was returned to Daviess County on February 12, 2007. As of today February 26, 2007, it has been two weeks and we have just received the paperwork needed to be sent to the State for reimbursement. At the same time, the firm returning the fugitive has sent the Department an invoice for \$769, indicating that it is due upon receipt. We currently have no funds available to pay this invoice.*

*Auditor's Reply:*

*We recommend the Sheriff's office set up an imprest cash account as allowed by the Kentucky Finance and Administration Cabinet, to cover expenses, such as the extraditions, that cannot be paid through the normal procedures.*

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2005  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

The Sheriff's Office Should Implement System Relating To Court Ordered Forfeitures

The Daviess County Sheriff's office maintains a Special Investigation Account for monies received from court ordered forfeitures in connection with drug related arrests. KRS 218A.460(2) requires that a law enforcement agency must obtain a court order forfeiting property seized during drug related arrests. During testing, we noted the Sheriff's office did not have a system in place to automatically forward copies to the Sheriff's office of court orders forfeiting property. As a result, forfeited cash was not deposited in a timely manner and amounts due to the Daviess County Commonwealth Attorney's office per court order were not paid in a timely manner. We recommend a system be implemented so a designated employee of the Sheriff's office automatically receives copies of any court orders forfeiting property to the Sheriff's office. This system then would allow the Sheriff's office to deposit forfeited cash in a timely manner and distribute the appropriate amounts to the Commonwealth Attorney's office.

*Sheriff's Response:*

*The Sheriff's Department has strengthened the procedures utilized for dealing with asset forfeitures. The Commonwealth Attorney's Office will now forward all Court Orders to the Chief of Investigations and the Chief Deputy. Upon receipt of the Court Order, seized cash will be deposited into the Special Investigations Account. Checks will then be written to disburse funds in accordance with the Court Order. Quarterly, active seizure cases will be reviewed to determine the status of pending Court Orders.*

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

Of the above comments and recommendations, the following comments and recommendations were considered reportable conditions and material weaknesses of the internal control over financial reporting and its operation.

- The Sheriff's Office Should Require Time Records For All Employees

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive  
The Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Daviess County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated February 23, 2007. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- The Sheriff's Office Should Require Time Records For All Employees

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's financial statements for the year ended December 31, 2005, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff's Office Should Require Time Records For All Employees
- The Sheriff's Office Should Pay Overtime For Hours Worked Over Forty Hours During A Week
- The Sheriff's Office Should Submit All Fees And Compensation For Official Duties To State
- The Sheriff's Office Should Implement System Relating To Court Ordered Forfeitures

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

February 23, 2007

